


PAMOUR PORCUPINE MINES, LIMITED

ANNUAL REPORT 1974

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PAMOUR PORCUPINE MINES, LIMITED

EXECUTIVE OFFICE ADDRESS:
P.O. BOX 45, COMMERCE COURT WEST
TORONTO, ONTARIO, M5L 1B6

DIRECTORS

P. D. P. Hamilton	-	-	-	-	-	-	-	-	-	Toronto
The Rt. Honourable Roland Michener	-	-	-	-	-	-	-	-	-	Toronto
R. V. Porritt	-	-	-	-	-	-	-	-	-	Toronto
J. J. Rankin	-	-	-	-	-	-	-	-	-	Toronto
W. S. Row	-	-	-	-	-	-	-	-	-	Toronto
D. E. G. Schmitt	-	-	-	-	-	-	-	-	-	Toronto
A. W. Stollery	-	-	-	-	-	-	-	-	-	Toronto

OFFICERS

D. E. G. Schmitt	-	-	-	-	-	-	-	-	-	President
W. S. Row	-	-	-	-	-	-	-	-	-	Vice-President
J. A. Graham	-	-	-	-	-	-	-	-	-	General Manager
B. H. Grose	-	-	-	-	-	-	-	-	-	Secretary
E. K. Cork	-	-	-	-	-	-	-	-	-	Treasurer

TRANSFER AGENT AND REGISTRAR:
Canada Permanent Trust Company, Toronto and Montreal.

ANNUAL MEETING:
April 17, 1975 — 11:30 a.m. (Toronto Time), King Edward Hotel.

DIRECTORS' REPORT TO THE SHAREHOLDERS

The 41st Annual Report includes summaries of operations at the Pamour and Schumacher Divisions by the mine managers, the auditors' report, and financial statements with explanatory notes.

Dividends were paid in each quarter, respectively 7¢, 12¢, 10¢ and 6¢ per share for a total of 35¢ or \$2,450,000. Dividends paid from commencement of operations to date total \$15,680,000.

The operating income from Pamour No. 1, No. 2, and No. 3 Mines totalled \$2,575,000 compared with \$2,511,000 in 1973. Addition of \$3,055,280 from operation of the Schumacher Mine, during the first full year as a Division of Pamour, brought the total income from mines to \$5,630,280 compared to \$2,883,200 in 1973. Metals in inventory at year end were valued at \$160.00 per ounce of gold, \$3.50 per ounce of silver and 65¢ per pound of copper, and totalled \$5,883,600. Sales of 152,237 ounces of gold averaged \$154.13 per ounce compared to \$93.79 in 1973 and the average price realized for copper sold was 83¢ per pound.

Production from the treatment of 1,780,600 tons of ore was 131,080 ounces of gold in bullion, and 15,191 tons of copper concentrate containing 4,080 tons of copper, 12,180 ounces of gold and 59,050 ounces of silver. In addition, some 73,600 tons of materials from development programs and old stockpiles on outlying properties were treated on a toll basis in the Pamour No. 1 mill.

The total tonnage of ores extracted was less than planned due to equipment failures, shortages of skilled miners and lower labour productivity. The average grade of gold ores mined was also less than reserve grade estimates, reflecting the inclusion of material from development and stope preparation work in low grade areas and salvage from overdrawn stopes. An aggressive underground exploration and development program was successful in maintaining the proven reserves of gold ores at 2.9 million tons with a lower combined average grade of 0.153 oz. gold per ton. Copper ore reserves were depleted to 2.3 million tons averaging 0.66% copper and 0.034 oz. gold per ton. However, the prospects for proving additional tonnages of low grade copper-gold ore on the Schumacher property are favourable.

Substantial wage settlements to extend labour contracts and escalated prices for supplies and services contributed to steeply rising costs. By year end, the generally prevailing shortages of labour, supplies and materials showed signs of easing. Provisions for increased taxes were \$1,442,400 higher than for 1973 but an extraordinary item of \$800,000 or 11.4¢ per share, described as "reduction of taxes on income resulting from application of prior years' losses" was added to income in the fourth quarter. It resulted effectively from the application of authorized depletion allowances for No. 1 Mine in the years 1971 to 1973 inclusive, when there was not sufficient income to utilize them.

Some merging of laboratory, refining and computing services between the Pamour and Schumacher plant sites will result in operating economies on a continuing basis. There are good possibilities for further steps in that direction. Major repairs, replacements and construction of new facilities to increase the capacity of the No. 1 plant progressed more slowly than planned with delays in delivery of some items of equipment as a contributing cause. However, a capability to treat more than 3,000 tons of ore per day has been demonstrated and operation at that rate is expected in March.

EXPLORATION

Diamond drilling on 3 optioned properties in the area produced ore grade intersections on each. Further development of the indicated ore on the Porcupine Peninsular property will depend on the availability of funds and local labour, and on estimates of cost escalation relative to gold prices.

The Mining Corporation joint venture, in which Pamour retains 25% participation, continued with work on the Joburke property. Some 59,100 tons of development ore were trucked to the Pamour No. 1 mill for treatment. Expenditures on the program were partially offset by revenue from the production of 5,130 ounces of gold.

METAL MARKETS

Demand for most raw materials continued to expand during the first half of 1974 but fell sharply in the second half as recession spread through the major industrial economies.

GOLD

The worldwide inflationary effects of increased prices for oil, declining economic conditions in the U.S.A. and other Western countries, and the removal of the ban on private ownership of gold by U.S. citizens, all combined to increase speculation and demand for the precious metal. The Free Market price rose from \$116 U.S. per ounce in January to a high of \$197.50 in late December. When it became apparent that the interest of U.S. citizens in purchasing gold was below expectations and the auction of 2 million ounces by the U.S. Government was only partially subscribed, prices eased back to the \$170-\$180 range.

COPPER

Copper consumption declined 7% in 1974, while refined production and U.S. stockpile releases increased supplies by 6%. At year end the total surplus reached 500,000 tons.

Prices on the London Metal Exchange ranged from 91¢ in January to a record of \$1.52 in April, before dropping to 56¢ at year end. Canadian prices rose from 73½¢ in three steps to 82½¢ in June and then fell in five steps to 63¾¢ in January.

SILVER

Silver prices moved in the range of \$4 to \$5 per ounce, except for a brief period in February when they reached \$6.70 per ounce, and were \$4.35 at the year end. Supply and demand are in reasonable balance, although 20% of consumption is derived from secondary silver which is generally less available when the price falls below \$4.

GENERAL

A check of available references indicates that the Pamour No. 1 Mine is the lowest grade, still-developing, underground, gold producing mine in the world and the Schumacher Division is also one of the lowest grade underground copper mines. For profitable continuation, a high degree of employee cooperation and purposeful efficiency is necessary. There is no real efficiency without safety and accordingly the Ontario

appointed Royal Commission on the Health and Safety of Workers in Mines has been welcomed. To the extent that its activities will focus attention, concern and corrective action toward maintenance of fitness and health and on the prevention of accidents and injuries, it will serve in the best interests of all in the industry.

The frequency of compensable injuries in 1974 for all Pamour operations was less than 15 per million manhours worked by more than 1,350 employees. That rate compared favourably with, and was well below the average of frequencies for, any construction or heavy industry group of any considerable size in Ontario. The injury frequency for the Pamour No. 1, No. 2, and No. 3 Mines was 4.5 per million manhours worked and compared well with the best records for any similar size group of industrial employees in Ontario.

The Directors acknowledge the continuing support and cooperative efforts of the managers, staff and all employees.

On behalf of the Board,

D. E. G. SCHMITT,
President.

Toronto, Ontario,
11th February, 1975.

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 1974

	1974	1973
INCOME		
From metal production	<u>\$30,963,553</u>	<u>\$14,027,802</u>
EXPENSE		
Cost of production	23,339,089	9,791,616
Exploration expense	123,735	246,214
Administrative expenses	359,373	428,356
Depreciation and amortization	1,511,076	678,377
	<u>25,333,273</u>	<u>11,144,563</u>
OPERATING INCOME	<u>5,630,280</u>	<u>2,883,239</u>
INVESTMENT INCOME		
Income from associated companies	767,603	634,344
Other dividends and interest income	89,709	189,913
Profit on sale of investments	96,148	392,679
Interest expense	(192,483)	—
	<u>760,977</u>	<u>1,216,936</u>
Net income before taxes	6,391,257	4,100,175
Income and production taxes	2,695,000	1,252,600
NET INCOME BEFORE EXTRAORDINARY ITEM	<u>3,696,257</u>	<u>2,847,575</u>
EXTRAORDINARY ITEM		
Reduction of taxes on income resulting from application of prior years' losses	800,000	—
NET INCOME FOR THE YEAR	<u>\$ 4,496,257</u>	<u>\$ 2,847,575</u>
EARNINGS PER SHARE		
Before extraordinary item	<u>52.8¢</u>	<u>40.7¢</u>
After extraordinary item	<u>64.2¢</u>	<u>40.7¢</u>

STATEMENT OF RETAINED EARNINGS

FOR THE YEAR ENDED DECEMBER 31, 1974

	1974	1973
BALANCE — BEGINNING OF YEAR	<u>\$ 6,314,382</u>	<u>\$ 5,104,860</u>
Earnings for the year	4,496,257	2,847,575
Return of Ontario Hydro prepaid sinking fund deposit		
— net of tax of \$86,000	—	111,947
Dividends	(2,450,000)	(1,750,000)
BALANCE — END OF YEAR	<u>\$ 8,360,639</u>	<u>\$ 6,314,382</u>

PAMOUR PORCUP

(Incorporated under the laws of the Province of Ontario)

BALANCE SHEET AS AT

ASSETS		
	1974	1973
CURRENT ASSETS		
Cash and short-term deposits	\$ 142,134	\$ 85,027
Bullion and concentrates at estimated realizable value	5,883,627	3,872,326
Marketable investments — at cost (quoted market value \$1,382,312)	1,646,174	1,753,254
Accounts and loans receivable	741,622	228,526
Stores — at cost	1,810,268	960,921
Prepaid expenses	26,262	55,730
	<u>10,250,087</u>	<u>6,955,784</u>
INVESTMENTS (note 1)		
Shares in and advances to associated companies ..	<u>7,354,005</u>	<u>7,143,349</u>
FIXED ASSETS		
Plant, buildings, equipment and townsite — at cost ..	8,317,669	6,482,182
Accumulated depreciation	3,677,598	3,135,889
	<u>4,640,071</u>	<u>3,346,293</u>
Mine properties — at cost less amortization	2,542,025	3,382,702
	<u>7,182,096</u>	<u>6,728,995</u>
GOODWILL — at cost less amortization	<u>102,836</u>	<u>191,099</u>
	<u>\$24,889,024</u>	<u>\$21,019,227</u>

MINES, LIMITED

(In accordance with the laws of Canada)

DECEMBER 31, 1974

LIABILITIES

	1974	1973
CURRENT LIABILITIES		
Short-term loan	\$ 1,795,000	\$ 2,870,000
Accounts payable	3,515,710	2,099,345
Income and production taxes payable	1,651,375	453,200
	<u>6,962,085</u>	<u>5,422,545</u>
TAXES PROVIDED NOT CURRENTLY PAYABLE	<u>1,178,800</u>	<u>894,800</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK

Authorized —

10,000,000 shares of no par value

Issued and fully paid —

7,000,000 shares

8,387,500

8,387,500

RETAINED EARNINGS

8,360,639

6,314,382

16,748,139

14,701,882

Signed on behalf of the Board:

D. E. G. SCHMITT, Director.

W. S. ROW, Director.

\$24,889,024

\$21,019,227

STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE YEAR ENDED DECEMBER 31, 1974

	1974	1973
WORKING CAPITAL — BEGINNING OF YEAR	<u>\$ 1,533,200</u>	<u>\$ 3,737,000</u>
SOURCE OF FUNDS		
Operations —		
Net income before extraordinary item	3,696,300	2,847,600
Depreciation and amortization	1,511,100	678,400
Deferred taxes	284,000	894,800
	<u>5,491,400</u>	<u>4,420,800</u>
Gain on reduction of taxes on income resulting from application of prior years' losses	800,000	—
Sale of investments	—	82,700
Stores inventory acquired at Schumacher	—	300,000
Return of Ontario Hydro prepaid sinking fund deposit — net of tax	—	111,900
Miscellaneous	—	85,900
	<u>6,291,400</u>	<u>5,001,300</u>
APPLICATION OF FUNDS		
Advance to associated companies	210,700	—
Purchase of Schumacher mine assets	—	4,500,000
Other fixed assets — net	1,875,900	955,100
Dividends	2,450,000	1,750,000
	<u>4,536,600</u>	<u>7,205,100</u>
NET INCREASE (DECREASE)	<u>1,754,800</u>	<u>(2,203,800)</u>
WORKING CAPITAL — END OF YEAR	<u>\$ 3,288,000</u>	<u>\$ 1,533,200</u>

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1974

1. Shares in and advances to associated companies include the following:

	<u>1974</u>	<u>1973</u>
	\$	\$
Shares in associated companies — at cost (quoted market value \$11,019,346)	7,138,349	7,138,349
Shares in and advances to an associated company — at equity basis	215,656	5,000
	<u>7,354,005</u>	<u>7,143,349</u>

At December 31, 1974 the investments of the company included 214,710 shares of Noranda Mines Limited with a quoted market value of \$6,092,000 and 400,000 shares of Kerr Addison Mines Limited with a quoted market value of \$3,750,000 each of which exceeded 10% of the market value of the investments of the company.

2. The aggregate remuneration paid or payable to the seven directors amounted to \$10,200. Two of the four officers of the company are directors. No remuneration is paid to officers other than for services as directors.

Remuneration paid or payable to the five highest paid employees of the company amounted to \$99,867.

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of Pamour Porcupine Mines, Limited as at December 31, 1974 and the statements of operations and retained earnings and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1974 and the results of its operations and the changes in its financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

January 18, 1975.

COOPERS & LYBRAND,
Chartered Accountants.

MANAGERS' REPORTS ON OPERATIONS

The following report summarizes operations for the year 1974 at the main No. 1 Mine, the No. 2 Mine and the No. 3 Mine.

PRODUCTION

	1974	1973
Ore milled — tons	859,525	877,331
Tons milled per calendar day	2,355	2,404
Average gold content — oz./ton	0.115	0.151
Average tailings — oz. au/ton	0.009	0.01
Gold recovery %	92.14	93.4
Gold production — ounces	91,571	126,654
Value of production	\$14,768,500	\$12,541,300

An additional 73,600 tons of ore from two outside properties were treated in the No. 1 mill on a toll basis. Therefore, total tonnage milled was 933,121 for an average of 2,556 tons per day.

MINING

Development		No. 1 Mine		No. 2 Mine		No. 3 Mine	
		1974	1973	1974	1973	1974	1973
Advance	(ft.)	6,041	3,971	1,368	48	2,697	572
Stope preparation	(ft.)	9,771	11,822	64	894	6,203	7,718
Diamond drilling	(ft.)	28,321	30,499	—	4,469	10,813	3,284

Drifting at the No. 1 and No. 2 Mines was to provide access and haulage service for ore extraction, and in No. 3 Mine, most of the drifting was to open levels below the 4000' level for exploration and development.

Diamond Drilling

Exploratory diamond drilling in No. 1 Mine totalled 148 holes of which five holes or 1,180' were drilled from surface. Ore outlined included 102,000 tons averaging 0.08 oz. gold per ton on the 400' level, east of the shaft and 79,000 tons averaging 0.07 oz. gold per ton on 400' level west of the shaft. Surface drilling failed to intersect a westward extension of 51 E vein.

In No. 3 Mine, a total of 10,813' of diamond drilling explored the zone above and below the 4000' level.

Stoping

Stoping was carried out in the east and west sections of the No. 1 Mine. Some 80% of production, or 488,490 tons averaging 0.095 oz. of gold per ton from car samples were trammed from the east end stopes and 65,030 tons averaging 0.148 oz. of gold per ton from the west section, for a total of 553,500 tons averaging 0.101 oz. Of the total ore mined, lava formation accounted for 50%, greywacke for 20% and conglomerate for 30%. Preparation for open-cast mining of some 345,000 tons of ore, outlined by surface drilling,

was started in the east conglomerate formation and 5,500 tons, grading 0.06 oz. per ton, have been removed.

Stope preparation is in progress at the No. 2 Mine to extract some 88,000 tons of ore grading 0.16 oz. of gold per ton, which was indicated by diamond drilling during 1973.

Total ore hoisted from No. 3 Mine was 254,532 tons averaging 0.162 oz. of gold per ton in car samples, of which 231,493 tons averaging 0.169 oz. were from cut-and-fill stopes and 23,039 tons were from development and stope preparation work. Some 113,744 tons of hydraulic backfill were placed in the stopes.

An option to extract ore remnants from the former Buffalo-Ankerite property, adjoining the No. 3 Mine, was agreed with the owners, Romfield Building Corporation Ltd. and McKay Lake Gold Mines Ltd. To provide services and access, the 1000' level of the No. 3 Mine and the upper ore-pass system were rehabilitated.

ORE RESERVES

Estimates as of January 1, 1975, including normal dilution allowances were:

	<u>Tons</u>	<u>Gold Oz./Ton</u>
No. 1 Mine	1,551,000	0.108
No. 2 Mine	88,000	0.160
No. 3 Mine	883,000	0.192
Combined proven reserves	<u>2,522,000</u>	<u>0.137</u>

Additions of lower grade material in No. 1 Mine, combined with an increased dilution factor in No. 3, resulted in a lower average grade for a slightly higher total tonnage.

GENERAL

Construction of crushing and ore handling facilities to increase milling capacity to 3,000 tons per day was considerably delayed by late delivery of equipment.

Installation of a surface jaw crusher to handle "run-of-mine" ore from the open pit and from other properties is scheduled for completion in March.

The exploration staff examined some 35 properties, and 10,867 feet of surface diamond drilling was done including 4,000 feet on the Romfield-McKay Lake property and 2,340 feet in the Night Hawk Lake area. Services and personnel were made available at cost for development programs on two outlying gold prospects but available funds were insufficient for development of the Porcupine Peninsular property.

There were 691 employees at the year end including 212 at the No. 3 mine and some 45 who have responsibilities at two or more mine sites in the area.

I wish to express my appreciation of services rendered during the year by the Department Heads, staff and all other employees.

Respectfully submitted,

South Porcupine, Ontario,
January 31, 1975.

L. R. REDFORD,
Manager.

Schumacher Division

In the following summary of operations for 1974, the information on the gold and copper operations is separated in accordance with the mining and milling practice.

PRODUCTION

		Gold	Copper
Ore milled	— tons	214,130	706,940
Ore milled per day	— tons	587	1,937
Average grade of ore	— gold oz./ton	0.201	0.023
	— copper %	—	0.628
	— silver oz./ton	—	0.105
Concentrate produced	— tons	—	15,191
Copper contained in concentrate	— lbs.	—	8,167,521
Gold in bullion and concentrate	— ounces	39,508	12,183
Silver in bullion and concentrate	— ounces	3,935	59,056
Recovery	— % gold	91.69	75.99
	— % copper	—	92.05
	— % silver	—	79.28
Revenue	— \$000's	6,527	8,590
Employees		411	238

MINING

Gold development was undertaken in 41 working places. Total advance of 2,608' was a 52% increase over the previous year and produced 7,634 tons of waste and 11,562 tons of ore grading 0.089 oz. gold per ton. Stope preparation of 2,385' of sub drifts and 2,214' of raises was well above 1973 performance. Much of the activity was in trial stoping blocks, several of which were added to the reserves.

Gold stope productivity at 9.6 tons per man-shift, improved by 13% due to increased mechanization.

Copper development totalled 3,941' of drifts and 1,787' of raises to complete the #12 shaft transfer system and explore the east zone between 3125' and 3875' levels. Copper stope preparation totalled 5,221' of drifts and 345' of raises, mainly in the 4112 and 3812 blocks.

ORE RESERVES

Estimates as of January 1, 1975, with dilution allowances were:

	Tons	Oz. Gold/Ton	% Cu	Oz. Silver/Ton
Gold ore	422,700	0.249		
Copper ore	2,304,000	0.034	0.66	0.12

GENERAL

Tons milled per man-shift worked in the gold operation averaged 2.5 tons and in the copper operation 11.2 tons compared to 1973 productivities of 2.8 and 11.7. Cost-saving additions included a new underground water supply, a Maxwell flotation cell for the gold circuit and a number of mechanical equipment units underground. Increased operating costs were due to stepped up development programs, and rising costs of labour and materials. More test work in the metallurgical laboratory was done for the area mines and a new central computer terminal was established.

There were 649 employees at the year-end including 97 staff.

In conclusion, I would like to express my thanks to the superintendents, staff and other employees for their efficiency and support during the year.

Respectfully submitted,

A. A. ADAMSON,
Manager.

Schumacher, Ontario,
January 31, 1975.

